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PSC ISSUES STUDY OF KENTUCKY'S ELECTRIC INFRASTRUCTURE

Report addresses future needs and concerns

FRANKFORT, Ky. (Sept. 15, 2005) – Kentucky's electric utilities have adequate infrastructure to serve their current customers but will need to invest in new generation, transmission and distribution facilities to meet projected demand, the Kentucky Public Service Commission (PSC) concludes in a new assessment of the industry.

The report evaluated Kentucky's future electric needs and discussed ways to maintain Kentucky's status as the state with the nation's lowest electric rates.

“This report in large measure reinforces what we already know – that Kentucky is fortunate to have a robust electric generation, transmission and distribution system that delivers power dependably at very low cost,” PSC Chairman Mark David Goss said. “But it also notes that Kentucky must continue to invest in its electric infrastructure while adapting to regulatory and technological changes.”

Entitled “Kentucky’s Electric Infrastructure: Present and Future,” the report was prepared in response to Executive Order 2005-121, issued Feb. 7, 2005, by Governor Ernie Fletcher. The order directed the PSC to develop a strategic blueprint for promoting future investment in electric infrastructure for Kentucky, protecting Kentucky’s low-cost advantage, maintaining affordable rates for all Kentuckians, and preserving Kentucky’s commitment to environmental protection.

Governor Fletcher ordered the PSC to prepare the report in response to recommendations made last year by the Commonwealth Energy Policy Task Force. The report was presented to Governor Fletcher earlier this month.

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Key findings of the infrastructure assessment include:

- Kentucky's electric utilities, both jurisdictional and non-jurisdictional, have adequate generation infrastructure to serve their current customers and have demonstrated that they are adequately planning to serve the needs of their customers through 2025.
- Kentucky will need more than 7,000 megawatts of additional electric generating capacity by the year 2025 to meet anticipated demand.
- Kentucky's electric transmission system has been highly reliable but is limited in the amount of power it can transfer through the state, particularly north and south.
- Further consideration should be given to the establishment of right-of-way maintenance parameters for Kentucky's jurisdictional electric distribution utilities.
- Kentucky's energy policy should include incentives to use renewable energy and an effort to educate the public regarding the benefits of renewables.
- Financial incentives should be available for coal gasification and other clean coal technologies.
- Kentucky should adopt a cautious approach toward restructuring of its electric utilities.
- Kentucky must insist on full participation in any federal decisions that impact its status as a low cost energy state.

The infrastructure report was prepared using information from all of Kentucky's regulated electric utilities; unregulated entities such as the Tennessee Valley Authority, municipal power systems and independent power producers; and groups representing industrial or residential customers and environmental interests.

The PSC, also at Governor Fletcher's direction, prepared a separate report entitled "The Impact of Federal and International Policy on Kentucky's Energy Future."

Both reports and supporting documents are available on the PSC Web site, psc.ky.gov. The case number for the infrastructure study is 2005-00090.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.